Economic News

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LAND TAX GETS BOOST

Alan Cranston, former State Controller, in his column appearing in the Los Angeles Times on November 20, suggests that taxing land and exempting improvements may not be such a bad idea. (The article is reprinted on the other side of this news letter.)

Cranston refers to a magazine article in Nation's Cities, a city government magazine with national coverage. The article quotes from Nation's Cities some of the pertinent points regarding slums and sprawl. He says "At present, home builders are forced far out in the countryside to find land they can afford to develop - despite the fact there's actually a great deal of undeveloped land inside most cities, or very close to them. Builders leap-frog the land that's close in because it's too costly, going way out to land that's cheap enough to build on. Then prices rise there, and they leap-frog still farther out."

COSTS OF SERVICES GO UP

The real tragedy of course is that costs of services by cities, counties and schools mount as these services continue to extend outward.

LAND SPECULATION RUNS WILD

As development goes farther out, land speculation becomes a major factor. When farmland is by-passed and property taxes are increased because of the possible higher and better use, farmers can no longer continue to farm. The land then becomes a tax shelter for land speculators.

A recent survey in Santa Clara County showed that in a three-year period 250 square miles were removed from farming and only 26 square miles of it were developed. With more and more farmers driven off their farms, food cost will continue to rise as local sources of production become waste lands.

EQUALIZATION

In a recent statement, A. Alan Post, California's Legislative Analyst, said that statewide equalization of property taxation should precede any major boosts in state school aid. The inequality of local tax resources, Post asserts, makes such reform essential.

Many surveys have shown that all property is not assessed at the same ratio to its market value. Right here in San Diego, the County Assesser stop-ed a Chula Vista Councilman from getting at records in his office when he learned that the survey crew was getting sales and assessment figures from throughout the county and not just figures of Chula Vista.

The State Board of Equalization recently charged that the uniformity in rural, commercial, and industrial properties is relatively poor. The report also says," The poor uniformity in those types of property can be ascribed to (1) lack of concentration of appraisal effort and (2) several types of valuation practices which would be considered unacceptable by most professional appraisers."

All of which means that homeowners, who are assessed at very near the stated ratio of 25%, are assessed higher than land speculators and slum owners. Thus , choice lots in downtown San Diego sit vacant, choice home sites close-in sit idle and slums are the best investment around, all because they do not pay the same proportion of the property tax as do homeowners.

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IN "BASIC ECONOMICS" SOON

Los Angeles Times MON., NOV. 20, 1967—Part II

Putting Tax on Land, Not Improvements, Might Help

BY ALAN CRANSTON

Despite all the talk all year about property tax reductions, a great many Californians are now preparing, as usual, to pay property tax bills that are higher than ever.

The same pattern prevails throughout the nation. This, along with dismay in our cities over slums close in and sprawl far out, accompanied by riots in the former and unrest in the latter, is causing new and growing interest in an idea offered long ago by a man named Henry George.

It's scarcely likely that his suggestion that all taxes should be abolished except taxes on land will ever be adopted. But there are now many noted economists, businessmen and leaders of public affairs who endorse Henry George's view that taxes on land are far more equitable and wise than taxes on improvements.

There's an uneasy, rising feeling in California that the move here to assess all properties equally—the principle result of the assessment scandals of a couple of years ago—is somehow contrary to the best interests of all, even though it sounds very fair and is strictly constitutional.

It was formerly the habit in some metropolitan counties, notably San Francisco, to give home owners a property tax break, while hitting most business properties hard. It was formerly the habit, in most rural counties, to give farmers and other owners of open land a break, while hitting owners of homes and business properties hard. So the present, post-scandal process of equalization is causing anguish for farmers, businessmen and homeowners alike—depending on where their property happens to be.

The case against equal treatment was stated succinctly in the magazine of city government, Nation's Cities:

"Taxes on improvements are bound to discourage, delay, or even deter improvements; the bigger the improvement tax the smaller the owner's incentive to spend good money to improve his property instead of investing it somewhere else.

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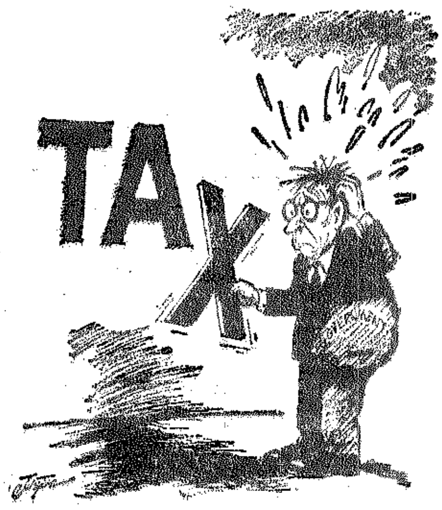
"Contrariwise, taxes on land tend to encourage, speed, or sometimes even compel improvements. The bigger the land tax the bigger the pressure on land owners whose property is under-used to do something to increase its earning power—or sell it to someone who will."

Some California legislators, convinced the present system fosters speculation, slums and sprawl, are preparing a measure for introduction in the 1968 session that would bring about a tax shift from improvements to land.

They believe this would lead private enterprise to take over the task of rebuilding inside our cities, and enable it to change its approach to the task of building on their edges and outside. At present, home builders are forced far out into the countryside to find land they can afford to develop—despite the fact there's actually a great deal of undeveloped land inside most cities, or very close to them. Builders leap-frog the land that's close in because it's too costly, going way out to land that's cheap enough to build on. Then prices rise there, and they leap-frog still farther out.

This process contributes more than any other to traffic congestion, and to the high cost of water distribution, sewage disposal and every other city service—and hence to ever higher taxes. And it really defeats the very purpose of a city, because it maximizes the handicaps of distance and minimizes the ease of social and business relationships.



The Unknown Quantity
Justus in Minneapolis Star

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Higher taxes on land and lower taxes on improvements have already been tested successfully. Pittsburgh has been taxing land at double the rate of buildings for some years—and Pittsburgh is the classic example of a revitalized, rebuilt American city. Mayor John Lindsay is now considering following suit in New York City. Philadelphia is studying a report by business leaders and economists recommending this approach.

It happens, too, that right here in California miracles have been worked by a tax system in our irrigation districts that puts all the burden on land and totally exempts buildings and crops. Launched in 1880, this practice paid for needed dams, canals and water, forced irrigable land onto the market at reasonable prices, encouraged its development, and produced our state's magnificent irrigation agriculture.

Perhaps our modern city dwellers will find it wise to take a step now that our farmers took so very long ago.

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